



Cleveland District Office News

Information for the Small Business Community

March 2008

U.S. Small Business Administration Cleveland District Office

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For More Information

SBA Home Page: www.sba.gov

- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam.
- For the office nearest you, look under "U.S. Government" in your telephone directory, or call the SBA Answer Desk.
- SBA Answer Desk: 1-800 U ASK SBA
- Fax: 202-205-7064
- E-mail: answerdesk@sba.gov
- TDD: 704-344-6640
- Your rights to regulatory fairness:
1-800-REG-FAIR

LOAN REPORT *as of February 29, 2008*

Total Loan Volume – FEBRUARY 2008 (7(a) and 504 Combined)

Bank	Number of Loans	Dollars (In Thousands)
National City Bank	88	\$9,020
Charter One Bank/RBS Citizens	83	\$4,163
Huntington National Bank	74	\$20,750
U.S. Bank	51	\$4,921
JP Morgan Chase Bank	40	\$5,354

504 Loans

Bank	Number of 504s
Huntington National Bank	9
National City Bank	6
FirstMerit Bank	4
JP Morgan Chase Bank	4
Community South Bank	3
First Midwest Bank	3
KeyBank	3

CDC	Number of Approvals	Dollars (In Thousands)
Growth Capital Corp.	18	\$5,692
Community Capital Corp.	7	\$4,366
Cascade CDC, Inc.	6	\$4,766
Lake County SBAC	6	\$2,222
Mentor Economic Assistance Corp.	3	\$372
Stark Development Board	3	\$793
Ohio Statewide	2	\$1,289
Mahoning Valley Econ. Dev. Corp.	2	\$461
Northwest Ohio Dev. Assistance	1	\$343
Sem Resource, Inc.	1	\$1,995
West Central Partnership	1	\$115

SBA HONORS LEADING LENDERS

Six leading SBA lenders in the Cleveland District were honored at a special award ceremony on February 1, 2008 at The Union Club in downtown Cleveland. Ohio Lt. Governor Lee Fisher provided the keynote address at the ceremony.

The five top 7(a) lenders in Northern Ohio for FY 2007 were recognized. They were:

	# of SBA Loans	Total Loan Dollars (in thousands)
National City Bank	328	\$35,011
Charter One Bank	274	\$11,600
The Huntington National Bank	229	\$19,985
JP Morgan Chase Bank	167	\$18,879
US Bank	152	\$10,182



Lt. Governor Lee Fisher, National City Bank's Lisa Rucker and National City bankers celebrate National City's receiving the Grand Slam Award.



Huntington National Bankers proudly display their SBA Top Five Lenders Award.

National City Bank received recognition for a "Grand Slam Achievement" as the top lender in four categories: number one lender in total number of SBA loans, number one lender in total dollars of SBA loans, top SBA lender to minority-owned enterprises, and the top 504 program lender participant. This is the first time that a lender has claimed the top spot in four different award categories. National City Bank reclaims the top SBA lender award from Charter One Bank, which had held the honor for the past two fiscal years.

SBA recognized Growth Capital Corporation as the District's top producer of 504 program loans. The District Office achieved a record year in 504 loans, with 144 loans approved.

Gilbert Goldberg, District Director of the U.S. Small Business Administration's Cleveland District Office, reports that his office guaranteed 1,900 small business loans, amounting to approx. \$274.0 million, during its recently completed Fiscal Year 2007.

"We are delighted to recognize these lenders," stated Mr. Goldberg. "Our office appreciates the leadership shown by all of these banks in supplying capital to the area's small businesses."

"These six lenders should be proud of the assistance that they provide to Northern Ohio small businesses", stated Mr. Goldberg. "This clearly indicates that small businesses are being started, expanding, and, most importantly, creating jobs. We look forward to these lenders continued participation in the SBA programs and anticipate them producing an even higher number of loans in FY 2008."♦



Lt. Governor Lee Fisher and SBA's Jim Donato present the Top 504 Producer Award to Growth Capital's John Kropf and staff.

NEWS FOR OUR LENDING PARTNERS

OPERATION Brand Promised Restored

SBA is pleased to announce a streamlined, reengineered guaranty loan repurchase process that has been implemented at the Agency's National Guaranty Purchase Center (NGPC) in Herndon, Virginia. A new and improved "10 Tab System" has been implemented to make it easier for our lending partners to assemble a guarantee purchase package, which will then allow the NGPC to review and decision the request within a 45 day turnaround time, a goal established by our Administrator, Steven Preston.. Benefits of the new process include:

- The new 10 tabs will simplify guaranty purchase package submission and enhance the quality and speed of SBA's review process.
- Easy for lenders to complete by responding to questions and compiling documents in logical groups (e.g. legal documentation, collateral disposition, early default).
- The global certification feature will reduce the unnecessary back-and-forth between SBA and lenders for signature requests.
- The new tabs will incorporate the newly released definition of early default (defined as 18 months from first disbursement).

Our Lender Relations Specialists have been fully trained in this new process and are available to assist our lending partners in any way necessary, including:

- Providing on site training on the new "10 Tab System";
- Assisting in the repair/repackaging of guaranty loan repurchase packages that have been "screened-out" by the NGPC;
- Providing general training on all aspects of SBA lending, which will include suggestions on how a lender may want to organize its files to better ensure that SBA can honor its guaranty if a loan should default.

Training would likely benefit all areas of an institution, from upfront loan officers, to key operational personnel, to managed asset officers.

If you are interested in scheduling training, please contact Jim Donato at (216) 522-4180, ext. 215.

Issues with franchise, dealer, license, jobber or related agreements - Gas Stations and Minimarts

SBA has determined that an increasing number of franchise, dealer, license, jobber and related agreements (including grantor deeds and deeds of trust) between major oil companies or jobbers and applicant businesses for the operation of gas stations and minimarts contain provisions that do not comply with SBA eligibility and/or credit requirements.

Size/Affiliation Issues with Gas Stations and Minimarts:

When an applicant business operates a gas station and/or minimart under a franchise, dealer, license, jobber or related agreement with a major oil company or jobber, and the major oil company or jobber that issued the agreement is not listed on the *Franchise Registry* (www.franchiseregistry.com), SBA employees, Lenders and CDCs must review the agreement in order to determine if it contains any conditions which would create affiliation between the two parties. (Currently, there are no major oil companies or jobbers listed on the *Franchise Registry*.) If affiliation is found to exist, then the applicant business is deemed to be part of a collective group and the affiliates' receipts or number of employees must be aggregated for size determination purposes. If an affiliate is not small, then the applicant is not small and is therefore ineligible for SBA assistance.

13 CFR §121.103(i) of SBA's Size Standard Regulations outlines how an applicant business operating under a franchise, dealer, license, jobber or related agreement from another business may be affiliated with that business and may be ineligible. This regulation says:

(i) Affiliation based on franchise and license agreements - - - The restraints imposed on a franchisee or licensee by its franchise or license agreement relating to standardized quality, advertising, accounting format and other similar provisions, generally will not be considered in determining whether the franchisor or licensor is affiliated with the franchisee or licensee provided the franchisee or licensee has the right to profit from its efforts and bears the risk of loss commensurate with ownership. Affiliation may arise, however, through other means, such as common ownership, common management or excessive restrictions upon the sale of the franchise interest.

NEWS FOR OUR LENDING PARTNERS *(Continued from page 3)*

Appendix 3(e) of SOP 70 50 (3), the SOP covering *Legal Responsibilities*, gives guidance on the types of conditions which may be found in a franchise, dealer, license, jobber or related agreement that are not acceptable to SBA and which, if present, should be reviewed for a determination of eligibility. (Found at www.sba.gov/aboutsba/sbaprograms/elending, then click on "Regulations and SOPs" which will take you to a listing of SOPs.)

Past SBA reviews of certain franchise, dealer, license, jobber and related agreements between major oil companies or jobbers and applicant businesses operating gas stations and/or minimarts have identified certain covenants that have resulted in a finding of ineligibility due to size/affiliation issues. The following are examples (though not a complete listing) of unacceptable conditions appearing in these agreements:

- A condition that gives the franchisor the absolute discretion to approve a transfer of the agreement.
- A condition where the franchisee could not transfer its interest in the franchise without the prior written consent of the franchisor, which could be withheld by the franchisor for any reason in the franchisor's sole subjective judgment.
- A condition where the franchisor had the ability to choose counsel for the franchisee's defense of legal disputes.
- A condition prohibiting the franchisee from transferring or assigning its rights under the agreement.

Lenders and CDCs can inquire about the availability of information regarding eligibility concerns surrounding a particular franchise, dealer, license, jobber or related agreement by sending an e-mail to franchise@sba.gov.

Credit Issues with Gas Stations and Minimarts:

As a reminder, SBA previously issued Information Notice 5000-987 entitled *Deed Restrictions Pertaining to Gas Stations*. (Available at www.sba.gov/aboutsba/sbaprograms/elending, then click on "Notices," then click on FY 2006.) In the Notice, SBA stated that deed restrictions imposed by major oil companies regarding the brand of service station that may be operated on the real estate being sold to, or owned by, the applicant business are not acceptable to SBA because they severely compromise the marketability of the business real estate collateral that would be securing the SBA-guaranteed loan.

Similarly, other provisions found in agreements with or deeds from major oil companies or jobbers have been found by SBA to be unacceptable as they have a significant impact on the value and marketability of the business real estate collateral, specifically:

- "Repurchase Options" which allow a major oil company or jobber to repurchase the applicant's primary business asset (e.g., real estate) due to a violation of any condition, covenant or restriction in any agreement between the oil company or jobber and the applicant business. (Please note that "Rights of First Refusal," which allow an oil company or jobber to match future third party offers for the purchase of the gas station, are generally acceptable to SBA.)
- Covenants running with the land that require current and future owners to indemnify a major oil company for environmental contamination. In the event participant lenders, CDCs or the SBA were to foreclose upon the real estate or accept a deed in lieu, they could be required to indemnify a major oil company for environmental contamination.

Subordination of these unacceptable provisions is insufficient to overcome the credit concerns.

Questions on this notice can be directed to one of our Lender Relations Specialists at (216) 522-4180. ♦

Get Your FREE 2008 IRS Tax Calendar for Small Businesses and the Self-Employed

The 2008 IRS Tax Calendar for Small Businesses and the Self-Employed (Pub 1518 and Pub 1518SP, Catalog 12350Z) is a ready resource to help small business owners meet their tax obligations. The 36 page, 12-month wall calendar, available in English (<http://www.irs.gov/pub/irs-pdf/p1518.pdf>) and Spanish (<http://www.irs.gov/pub/irs-pdf/p1518sp.pdf>), is chocked full with useful information on general business taxes, electronic filing and paying options, retirement plans, business publications and forms, common tax filing dates, and much more. Each page highlights different tax issues and tips that may be relevant to small-business owners, with room on each month to add notes, state tax dates or business appointments.

As an added feature for 2008, you can now import the tax calendar into Microsoft Outlook and iCal. For an online version of the tax calendar, visit www.IRS.gov, keyword: tax calendar or go to: <http://www.irs.gov/businesses/small/article/0,,id=176080,00.html>. Copies of the tax calendar can also be ordered online at <http://www.irs.gov/businesses/small/article/0,,id=101169,00.html> or by calling the National Distribution Center at (800) 829-3676.

Why Ohio Loves Small Business: Ten Reasons to Send Them a Belated Valentine

10. Small businesses make up 98.3 percent of all Ohio employers.

9. Small businesses create more than 50 percent of America's private non-farm gross domestic product (GDP).

8. Small patenting firms produce 13 times more patents per employee than large patenting firms do.

7. The 920,500 small businesses in Ohio are located in every community and neighborhood.

6. Small businesses employ 49.6 percent of Ohio's non-farm private sector workers.

5. Home-base businesses account for 52 percent of all small businesses.

4. Small businesses are 97 percent of America's exporters and produce 28.6 percent of all export value.

3. Ohio saw and estimated 22,213 new small employers start up in the last year measure.

2. There are approximately 59800 minority owned businesses and 230000 women owned businesses in Ohio and almost all of them are small businesses.

1. The latest figures show that small businesses create 60 to 80 percent of America's net new jobs.♦

Save the Date!

6th Annual Women's Entrepreneurial Network (WEN)

TRADE SHOW

Monday, April 28 1:00 p.m.-6:00 p.m.
FREE!

Clarion Hotel-Westgate, Toledo
Register on-line at www.wen-usa.com

For information call:
Beth Ann Miller 419-868-1750
or Pat DeCesare 419-720-4758

SBA and VBP Group, LLC to Conduct Free CEO Development Training In Cleveland for Small Businesses

The U.S. Small Business Administration and VBP Group, LLC will provide a free business development workshop entitled: "Financial Management for the Small Business" on March 19th in Cleveland.

WHO: Firms eligible for the "Financial Management for the Small Business" training workshop include: 8(a) certified firms; HUBZone certified firms; owners of firms that may be eligible to receive 8(a) contracts but are not 8(a) certified; *businesses operating in areas of high unemployment or low income* and firms owned by low income individuals. Areas of high unemployment are defined in the U.S. Census Bureau's County and City Data Book. The low income area and the low income individuals are defined in the Poverty Guidelines issued by the U.S. Department of Health and Human Services (HHS).

WHAT: This workshop discusses the critical financial management issues and regulatory requirements facing small businesses. Moreover, participants will learn the fundamentals in preparing effective and compliant cost proposals in response to government Request for Proposals (RFP'S).

Participants will learn the difference between employees and independent contractors and the costly impact that can occur if not handled properly. This training also covers contract records retention, cash flow management, how to obtain financing, and the salient features of the Service Contract Act and Davis Bacon Act. Participants will review the procurement process, learn required terminology and the "how to" of preparing cost proposals using examples and practical exercises. In essence, participants will learn how to mitigate risk to your business and maintain financial stability for you and your employees.

WHEN: Wednesday March 19, 2008
8:30 a.m. - 5:00 p.m.

WHERE: 1350 Euclid Avenue, Lower Level Auditorium
Cleveland, OH 44115

HOW: Those wishing to participate in this course should visit <http://www.vbpgrouptraining.com/workshops> to register for this training session. After selecting the appropriate course date and location, individuals should select the "Register" button to complete the registration screens. Space is limited; please register as soon as possible.♦